

Message Text

CONFIDENTIAL

PAGE 01 KINSHA 01427 181457Z

42

ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 IGA-01

COME-00 L-02 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01

USIA-06 PRS-01 XMB-02 FRB-03 /080 W

----- 080584

R 181010Z FEB 75

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 1365

INFO AMEMBASSY BRUSSELS

AMEEMBASSY LONDON

AMEMBASSY PARIS

C O N F I D E N T I A L KINSHASA 1427

E.O. 11652: GDS

TAGS: CG US EFIN

SUBJECT: CIS AND RELATED FINANCIAL PROBLEMS

1. PAUL LEVIHN AND JIM MILLER OF CONSTRUCTEURS ING-SHABA (MORRISON-KNUDSEN) CALLED ON ME FEB 17 TO ACQUAINTME WITH THEIR FINANCIAL PROBLEMS AND TO SEEK MY HELP WITH GOVT OF ZAIRE. LONG AND SHORT OF IT IS THAT THEY ARE RUNNING OUT OF FUNDS ARE ARE BEGINNING TO THINK OF SHUTTING DOWN OPERATIONS. CURRENT DIFFICULTIES DIFFER FROM PAST IN THAT BANKS LED BY FNCB ARE HARDENING THEIR ATTITUDE TWOARD DELAYS IN DEBT PAYMENTS BY ZAIRE. SPINK OF FNCB CONFIRMS

2. FNCB SYNDICATE HAS "SUSPENDED" LOAN TO SNEL WITH CONSEQUENCE THAT CIS CANNOT MAKE SCHEDULED AND NEEDED MILLION FIVE HUNDRED THOUSAND DOLLAR DRAWDOWN IN NEW ORK FROM EURODOLLAR LOAN. BY END FEBRUARY CIS WILL OWE JUST FOR LOCAL EXPENSES OVER \$800 THOUSAND ZAIRES (\$1,600,000). THIS DOES NOT INCLUDE FOREIGN EXCHANGE COSTS OUTSIDE OF ZAIRE, INCLUDING PROCUREMENT AND PARTIAL SALARIES FOR ALMOST 500 EXPATRIATES NOW IN COUNTRY, WHICH, HOWEVER, CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KINSHA 01427 181457Z

ARE STILL BEING PAID AGAINST CONFIRMED LETTERS OF

CREDIT.

3. GOZ MISSED PAYMENT DUE FEB 10 OF \$852 THOUSAND PLUS FEES AND INTEREST ON SNEL LOAN. LEVIHN HAS TALKED WITH MINISTRY OF FINANCE HERE WHICH PROMISES EXPEDITE PAPERWORK TO BANK OF ZAIRE BUT FINANCE MINISTRY SUGGESTS PAYMENT UNLIKELY TO BE MADE SHORT OF TWO WEEKS.

4. IN ADDITION LEVIHN SAYS BANKERS ARE TALKING ABOUT POSSIBLE INVOCATION OF "CROSS DEFAULT CLAUSE." \$3,155,000 PAYMENT PLUS INTEREST IS OVERDUE TO FNCB ON AIRCRAFT LOAN.

5. WE ALSO UNDERSTAND THAT LARGE PAYMENTS DUE MORGAN-GRENFELL GROUP ON 28 MILLION POUND STERLING GKN LOAN FOR AIRFIED IMPROVEMENT IN ZAIRE, WHICH HAS PHILLIPS AND WHIMPEYS AMONG SUBCONTRACTORS, AND TWO BALANCE OF PAYMENTS LOANS (\$50 MILLION AND \$40 MILLION), HAS LED UK BANKS TO BEGIN TALKING OF DEFAULT. SOME SAY "TECHNICAL DEFAULT" CERTAINLY DECLARED IN JANUARY IS TILL IN EFFECT, BUT UK AMBASSADOR, ADMITTING TO NOT BEING FULLY INFORMED, THINKS NOT. HERE AGAIN CROSS DEFAULT CLAUSE COULD ENTER INTO EFFECT, WHICH, IF INVOKED, OF COURSE WOULD UNRAVEL ENTIRE SITUATION. WOULD APPRECIATE LONDON AND DEPT CHECKING FACTS.

6. BIT OF GOOD NEWS IS REPORT BY CECCHET (LOCAL PAN AM MANAGER) WHO SAYS ROUGHLY \$2 MILLION OVERDUE TO PAN AM IS BEING PAID.

7. WHEN I TALKED WITH DIRECTOR OF THE PRESIDENCY BISENGIMANA, WHO STILL FEIGNS SURPRISE AT THIS SORT OF NEWS, HE REACTED POSITIVELY WITH PROMISE TRY TO GET PAYMENTS PROMPTLY MADE. HE SAID, "OUR RESOURCES ARE TIGHT, BUT WE'RE NOT DRY."

8. COMMENT: BANK PRESSURE RUNS CONSIDERABLE RISK OF PROVOKING MOBUTU BUT IF NOT OVERDONE IS QUITE JUSTIFIED IN EXISTING CIRCUMSTANCES. CONCEIVABLY IT COULD BRING GOZ TO RECOGNIZE IT HAS SUCH SERIOUS ECONOMIC ILLNESS THAT EVEN DOCTOR IMF INTENSELY DISLIKED BY MOBUTU - SHOULD BE BROUGHT INTO CASE. IF NOT, EFFORTS TO TREAT SYMPTOMS
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KINSHA 01427 181457Z

ARE LIKELY BE UNAVAILING, WITH CONSEQUENT RISK OF ECONOMIC COLLAPSE OF MODERN ECONOMIC SECTOR AND EVENTUAL POLITICAL DISORDER.
HINTON

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL CRISIS, GOVERNMENT DEBTS, LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975KINSHA01427
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750057-0895
From: KINSHASA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750236/aaaabfyo.tel
Line Count: 111
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2003 by ShawDG>; APPROVED <23 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIS AND RELATED FINANCIAL PROBLEMS
TAGS: EFIN, CG, US, (LEVIHN, PAUL), (MILLER, JIM)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006